

# **XIAMEN JIHONG CO., LTD**

## **廈門吉宏科技股份有限公司**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

### **Implementation Rules for the Audit Committee of the Board of Directors**

#### **Chapter 1 General Provisions**

**Article 1** In order to strengthen the decision-making function of the Board of Directors, to conduct audit in advance and professional audit so as to ensure effective supervision of the Board of Directors on senior management and to improve the corporate governance structure, the Company has established the Audit Committee of the Board of Directors and formulated these Implementation Rules in accordance with the Company Law of the People's Republic of China and the Articles of Association as well as with reference to the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Shenzhen Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 1 – Standardized Operation of Listed Companies on the Main Board and other relevant provisions.

**Article 2** The Audit Committee of the Board of Directors is a specific working body established by the Board of Directors pursuant to a resolution of the shareholders' general meeting. Its main responsibilities are to carry out liaison, supervision and review in connection with the internal and external audit of the Company.

#### **Chapter 2 Composition**

**Article 3** The Audit Committee shall consist of three non-executive directors, who shall be directors not holding senior management positions in the listed company, with the majority of the members being independent non-executive directors (i.e. independent directors). At least one of the independent directors shall be an accounting professional.

**Article 4** Members of the Audit Committee shall be nominated by the chairman of the Board of Directors, more than one-half of independent directors or one-third of all directors, and shall be elected by the Board of Directors.

A former partner of an external audit firm which is responsible for auditing the accounts of the Company shall not serve as a member of the Committee for a period of two years from the following dates (whichever is later):

- (1) the date on which he/she ceases to be a partner of such external audit firm;
- (2) the date on which he/she ceases to be entitled to the financial benefits in such external audit firm.

**Article 5** The Audit Committee shall have one Chairman (Convener), who shall be an independent director with accounting expertise and shall be responsible for presiding over the work of the Committee. The Chairman shall be elected from among the members of the Committee and shall be subject to the approval by the Board of Directors.

**Article 6** The Audit Committee shall have the same term of office as that of the Board of Directors. After the term expires, members of the Committee can be re-elected. If any member ceases to be a director of the Company during the term of office, he/she automatically loses his/her membership of the Committee and the Committee shall fill the vacancy in accordance with the provisions of Articles 3 to 5 above.

**Article 7** The Audit Committee shall establish an internal audit department which is a daily operation institution responsible for the communication of daily work and the organization of meetings, etc.

### **Chapter 3 Duties and Authorities**

**Article 8** The main duties and authorities of the Audit Committee are as follows:

- (1) To supervise and evaluate external audit work
  1. Making proposals to the Board of Directors on the appointment, re-appointment and change of external audit firms, making recommendations to the Board of Directors on the remuneration and terms of appointment of external audit firms, and handling any issues relating to the resignation or removal of such audit firms;

2. Evaluating and monitoring the external audit firm based on applicable standards to see whether it is independent, objective and whether the auditing procedures are effective; the Committee shall discuss with the audit firm about the nature, scope and relevant reporting responsibilities of the audit before commencement of auditing work. In order to conduct the investigation on the independence of the external audit firm, the Committee is required to complete the following tasks: studying the relationship between the Company and the audit firm (including non-audit services); requesting for materials from the audit firm each year to understand the policies and procedures that have been adopted by the audit firm for maintaining its independence and supervising the implementation of relevant rules, including the requirements relating to the change of the audit firm's partners and staff; meeting with the external audit firm at least once a year in the absence of the management to discuss matters relating to auditing fees, any matters arising from the auditing work and other matters raised by the audit firm;

3. Formulating and implementing policies for the appointment of an external audit firm to provide non-audit services. For the purpose of this provision, "an external audit firm" includes any entity that is under common control, ownership or management with the company responsible for auditing, or any entity that a third party, having reasonable knowledge about all relevant information, will determine under reasonable circumstances to be part of the domestic or international business of the company responsible for auditing. The Committee shall report to the Board of Directors, and make proposals, on any action or improvement considered to be necessary.

(2) To provide guidance for internal auditing work

1. Reviewing the annual internal audit work plan of the Company;
2. Supervising the implementation of the internal audit plan of the Company;
3. Reviewing the internal audit work report, evaluating the results of internal audit work and supervising the rectification of material problems;
4. Guiding and monitoring the effective operation of the internal audit department;
5. Ensuring the internal audit function has sufficient internal resources, and an appropriate position, to operate in the Company;
6. Making recommendations on the appointment or removal of the person-in-charge of the internal audit department in the Company.

The internal audit department of the Company shall report its work to the Committee. The internal audit department shall deliver various types of audit reports, rectification plans for auditing problems and the status of rectification to the management and the Committee concurrently.

(3) To review the financial report of the Company

Reviewing and monitoring the truthfulness, completeness and accuracy of the financial statements, annual reports and accounts, interim reports and quarterly reports of the Company, and reviewing the material opinions on financial reporting contained in the statements and reports, paying special attention to the possibility of whether fraud, misconduct and serious error relating to the financial statements and reports exist.

For this purpose, when the Committee submits the relevant statements and reports to the Board of Directors, it shall specially review the following matters:

1. any changes in accounting policies and practices;
2. where significant judgements are involved;
3. significant adjustments arising from the audit;
4. the going concern assumption of the enterprise and any qualified opinions;
5. whether accounting standards have been complied with;
6. whether other securities regulatory rules and legal requirements relating to financial reporting of the place where the Company's shares are listed have been complied with.

For the purpose of item (3) above, the members of the Committee shall keep in touch with the Board of Directors and senior management of the Company. The Committee shall convene at least two meetings per year with the Company's external audit firm; the Committee shall consider any significant or unusual matter that is, or may need to be, reflected in such reports and accounts and shall pay due attention to any matter that has been raised by the Company's staff responsible for accounting and financial reporting function, compliance department or external audit firm.

(4) To evaluate the effectiveness of internal control, examine and supervise the effective operation of the financial reports, internal control system and risk management system of the Company

1. Evaluating the Company's financial controls, internal control systems and risk management systems.

2. Discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. The discussion shall include the adequacy of resources, staff qualifications and experience in the Company's accounting and financial reporting function, as well as the adequacy of the training courses received by staff and the relevant budgets;

3. Supervising the effective implementation of internal control and the self – evaluation condition of internal control, coordinating the audit for internal control, supervising the rectification of internal control deficiency and other relevant matters; review the financial and accounting policies and practices of the Company and the Group;

4. Reviewing the internal control audit report issued by the external audit firm, as well as communicating the problems discovered and corresponding improvement methods with the external audit firm; acting proactively or upon delegation by the Board of Directors to examine the Explanatory Letter on Auditing provided by the external audit firm to the management, any material questions raised by the external audit firm to the management in respect of the accounting records, financial accounts, risk management or control systems and the reply from the management; ensuring the Board of Directors gives timely reply to matters mentioned in the Explanatory Letter on Auditing issued by the external audit firm to the management;

5. Ensuring the coordination of tasks between internal and external audit firms; ensuring the internal audit function has sufficient internal resources and appropriate position to operate within the Company; as well as evaluating and monitoring whether the internal control function is effective;

6. Evaluating the following arrangements made by the Company: staff of the Company may raise concern about possible improprieties in financial reporting, internal control or other aspects under confidential circumstances. The Committee shall ensure that appropriate arrangement will be made to enable the Company to conduct fair and independent investigation, and take appropriate action, on such matters.

(5) To be responsible for the communications among the management, internal audit department and the relevant departments with the external audit firm

1. Coordinating communication between the management and the external audit firm on material auditing issues;

2. Coordinating communication between the internal audit department and external audit firm as well as cooperation with the work of the external audit firm;

3. Acting as the primary representative body between the Company and the external audit firm and being responsible for overseeing the relations between them.

(6) To report to the Board of Directors on the matters mentioned above and other matters as stated in Code Provision D.3.3 (and any amendments thereto from time to time) of Appendix 14 to the Hong Kong Listing Rules, and report to the Board of Directors in respect of the decisions or recommendations made by the Committee, unless such reporting is prohibited by legal or regulatory restrictions.

(7) To be responsible for supervising and improving the principles, structure and system of corporate governance, including:

1. Developing and evaluating the policies and practices on corporate governance and making recommendations to the Board of Directors;

2. Evaluating and monitoring the training and continuous professional development of directors, supervisors and senior management;

3. Evaluating and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

4. Developing, evaluating and monitoring the code of conduct and compliance manual (if any) for the employees and directors; and

5. Evaluating the Company's compliance with the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules and disclosure in the Corporate Governance Report.

(8) Other matters as required by laws, regulations, listing rules of the stock exchange at the place where the securities of the Company are listed and as conferred by the Board of Directors.

**Article 9** The following matters shall be submitted to the Board of Directors for consideration only upon being approved by a simple majority of all members of the Audit Committee:

- (1) disclosure of financial information in financial accounting reports and periodic reports, and internal control evaluation reports;
- (2) appointment, dismissal of the accounting firm that undertakes the auditing services for the listing company;
- (3) appointment or dismissal of the listing company's financial controller;
- (4) making changes in accounting policies, accounting estimates, or significant accounting error corrections for reasons other than changes in accounting standards;
- (5) other matters as stipulated by the laws and regulations, relevant provisions of the stock exchange and the Articles of Association and as conferred by the Board of Directors of the Company.

The Audit Committee is responsible to the Board of Directors, and proposals of the Committee shall be submitted to the Board of Directors for consideration and decision. The Audit Committee shall cooperate with supervisors of the Supervisory Committee in audit activities.

The Audit Committee shall exercise its functions and powers in compliance with the relevant provisions of the Company Law, the securities regulatory rules of the place where the shares of the Company are listed, the Articles of Association and these Implementation Rules and shall not prejudice the interests of the Company and its shareholders.

## **Chapter 4 Decision-making Procedures**

**Article 10** The audit working unit shall be responsible for the preliminary preparations for decision-making of the Audit Committee, and provide written information on relevant aspects of the Company:

- (1) Relevant financial reports of the Company;
- (2) Work reports of internal and external audit institutions;
- (3) External audit contracts and relevant work reports;
- (4) Disclosure of information by the Company;

- (5) Audit report of major related transactions of the Company;
- (6) Other relevant matters.

**Article 11** Meetings of the Audit Committee shall evaluate the reports provided by the audit working unit, and submit the relevant written resolutions to the Board of Directors for discussion:

- (1) Evaluation of the work of external audit firms, and appointment and replacement of external audit firms;
- (2) Whether the internal audit system of the Company has been effectively implemented, and whether the financial reports of the Company are complete and true;
- (3) Whether the financial reports and other information disclosed by the Company are objective and true, and whether the major related transactions of the Company are in compliance with relevant laws and regulations;
- (4) Evaluation of the work of the finance department and audit department of the Company, including their responsible personnel;
- (5) Other relevant matters.

## **Chapter 5 Rules of Procedure**

**Article 12** The Audit Committee shall convene at least one meeting per quarter. An ad hoc meeting may be convened upon the proposal of two or more members or at the discretion of the Convener if deemed necessary. All members shall be given notice of the meeting three days in advance. Meetings shall be presided over by the Chairman. In the event that the Chairman is unable to attend, another member (who must be an independent director) may be appointed to preside over the meeting.

**Article 13** Meetings of the Audit Committee shall be held only if at least two-thirds of the members are present. Each member shall be entitled to one vote. A resolution shall be deemed to be passed only if it is approved by a majority of all members of the Committee.

**Article 14** Voting at meetings of the Audit Committee shall be conducted by a show of hands or ballot. Ad hoc meetings may be held by means of telecommunication voting.

**Article 15** Members of the Audit Working Group may be present at meetings of the Audit Committee. Where necessary, directors, supervisors, and other senior management of the Company may also be invited to be present at such meetings.



**Article 16** Where necessary, the Audit Committee may engage intermediary institutions to provide professional advice for its decision-making, with all related expenses to be borne by the Company.

**Article 17** The convening procedures, voting methods, and resolutions passed at meetings of the Audit Committee must comply with relevant laws, regulations, the Articles of Association, and these Implementation Rules.

**Article 18** Minutes shall be kept for meetings of the Audit Committee. Members attending the meeting shall sign the minutes, which shall be maintained by the Secretary to the Board of Directors.

**Article 19** Resolutions passed and voting results at meetings of the Audit Committee shall be reported to the Board of Directors of the Company in writing.

**Article 20** All members attending the meeting shall have a duty of confidentiality with respect to the matters discussed and shall not disclose any relevant information without authorisation.

## **Chapter 6 Supplementary Provisions**

**Article 21** These Implementation Rules shall become effective upon approval by the Board of Directors and from the date on which the Company's H shares are listed on The Stock Exchange of Hong Kong Limited.

**Article 22** Matters not covered in these Implementation Rules shall be implemented in accordance with applicable national laws and regulations, securities regulatory rules of the place where the Company's shares are listed, and the Articles of Association. In the event of any conflict between these Rules and the national laws and regulations subsequently introduced, the securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association as amended through lawful procedures, such laws, regulations, securities regulatory rules of the place where the Company's shares are listed, and Articles of Association shall prevail, and these Rules shall be revised immediately and submitted to the Board of Directors for consideration and approval.

**Article 23** The right of interpretation regarding these Rules shall be reserved for the Board of Directors of the Company.

**Xiamen Jihong Co., Ltd**  
**January 2024**

*Note:* In case of any inconsistency between the English and Chinese version of these Implementation Rules, the Chinese version shall prevail.